

**TAX ABATEMENT GUIDELINES**

**FOR**

**THE COUNTY OF BEXAR**

**AND THE**

**CITY OF SAN ANTONIO**

*Effective January 1, 2009 through December 31, 2010*



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## **Introduction**

The growth, sustainability and diversity of a regional economy are goals that are critical to the long-term prosperity of a community and its citizens. Communities must strategically plan and implement policies and incentive programs to achieve these goals. These joint Tax Abatement Guidelines demonstrate a collaborative effort by both the City of San Antonio and the County of Bexar to attract, retain and expand targeted industries, increase employment and wages, expand the tax base, and create long-term capital investment, as well as new wealth opportunities in the community.

Both the Bexar County Commissioners Court and the San Antonio City Council have adopted these Guidelines and will utilize them to ensure that any abatement of property taxes achieves the community's economic development goals. Since each jurisdiction will independently decide whether or not to abate taxes for any given project, approval from one entity does not guarantee approval from the other.

The County of Bexar will use these guidelines when considering abatements for any project within its jurisdictional boundaries, to include projects located in municipalities other than the City of San Antonio.

Chapter 312 of the Texas Tax Code authorizes local governments to abate ad valorem property taxes on the value of new improvements to the property, to include real property, tangible personal property, inventory and supplies. Taxing jurisdictions (e.g., the County of Bexar and the City of San Antonio) are required by this statute to develop and review guidelines at least every two years for the eligibility and award of this tax incentive.

State law further requires that each taxing jurisdiction enter into a Tax Abatement Agreement with each property owner of a leasehold interest in real property receiving an abatement or portion thereof. These agreements are binding legal documents between all parties involved. Additional provisions and requirements are included in those agreements.

## **SECTION I: Eligibility Criteria**

Under these Guidelines, to be eligible for consideration by these jurisdictions for a tax abatement, a company or project must meet and/or exceed all of the criteria, as described below:

- Minimum amounts of real or personal property investment
- Minimum levels of full-time job creation, except for Downtown multi-family rental only housing and mixed-use projects
- Employee and dependents access to health care benefits
- Prescribed wage requirements for all employees at project site; and
- Applicant must be in a targeted industry or a qualifying business activity

The amount and term of the tax abatement will also be impacted by:

- The location of the facility;
- Other public incentives used for the same project; and
- Overall benefits to the community.

### ***Targeted Areas for Investment and Job Creation***

To promote balanced growth, certain areas are targeted for job creation and investment. Depending on the location of the project, the term of the abatement will vary as follows (see map in Appendix B):

#### **Areas eligible for a 10-year term:**

- Projects located within Loop 410, located South of U.S. Highway 90, or located within the boundaries of I-35 to the North, I-10 to the South, the County's jurisdictional line to the East, and Loop 410 to the West (includes areas near Windsor Park Mall and Walzem Road in Districts 2 and 10), will be eligible for an abatement term up to 10 years
- Projects located within the Medical Center area, the boundaries of the San Antonio International Airport, or the Texas Research Park Foundation

#### **Areas eligible for a 6-year term:**

- Projects located outside of Loop 410 and also located North of U.S. Highway 90 (to the extent not defined as a 10-year term area) will be eligible for an abatement term up to 6 years

#### **Areas *not* eligible for tax abatement:**

- Projects located in whole or in part over the Edwards Aquifer Recharge Zone, as defined in Appendix A, are not eligible for an abatement.
- New or existing projects that may have a potentially negative impact on military missions are not eligible for an abatement.

These criteria will not be used to favor one location over another in the County of Bexar, except as permitted by the Guidelines.

## Summary of Capital Investment and Job Creation Requirements

The following table summarizes the amount of potential tax abatement based on investment, job creation and location of the project:

<b>Abatements Available at Minimum Levels of Capital Investment &amp; Job Creation</b>	<b>County of Bexar</b>	
	<b>6-Year Term Area</b>	<b>10-Year Term Area</b>
<b>Investments in Real &amp; Personal Property</b>	\$10 Million Combined	\$1 Million Combined
<b>New Full-Time Jobs</b>	100	25
<b>Potential Tax Abatement</b>	40% Real <u>or</u> Personal Property	40% Real <u>and</u> Personal Property
A project with exceptional capital investment, wages and/or job creation will be considered on a case-by-case basis for additional incentives based upon its value to the community. Projects will also be considered on a case-by-case basis whose activities align with County areas of emphasis such as environmental technology, information technology, automotive manufacturing, or which otherwise directly advance County goals such as environmental sustainability or economic sustainability and growth.		

<b>Abatements Available at Minimum Levels of Capital Investment &amp; Job Creation</b>	<b>City of San Antonio</b>	
	<b>6-Year Term Area</b>	<b>10-Year Term Area</b>
<b>Investments in Real &amp; Personal Property</b>	\$5 Million Combined	\$1 Million Combined
<b>New Full-Time Jobs</b> (Note 1)	50	25
<b>Potential Tax Abatement</b>	up to 75% Real and Personal Property (Notes 2 , 3 ,4)	up to 100% Real and Personal Property
A project with exceptional capital investment and/or job creation will be considered on a case-by-case basis for incentives based upon its value to the community.		
<b>Notes:</b> (1) Downtown multi-family rental only housing and mixed use projects are exempt from job creation requirements. (2) Based upon meeting Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ standards the project may receive 10% additional abatement for Certified, 20% for Silver/Gold, and 25% for Platinum. The City may also consider granting an additional proportional abatement percentage if the project meets certain City adopted high performance building measures as recommended by the Office of Environmental Policy. (3) If a project elects to enroll in CPS Energy's Windtricity or another CPS Energy renewable energy program, the project may receive an additional 1% abatement for every 1% of Windtricity or other renewable product purchased or installed up to 25%. (4) If a company pays new and existing employees an hourly wage of 25% or greater above the wage requirement, the company may receive an additional 25% abatement.		

### ***Local Hire Requirement***

Any project seeking a tax abatement must hire at least 25% of its new employees at the project location from residents of the County of Bexar, regardless of project size.

### ***Employee Health Care Benefits***

The company seeking a tax abatement under these Guidelines must provide each full-time person employed at the project location and his or her dependents with access to affordable health insurance within one year from the date of employment.

### ***Wage Requirements***

**Living Wage Requirement:** In order to be eligible for a tax abatement, all (100%) of the company's new and existing employees ***at the project location*** must earn no less than a "living wage" throughout the full term of the Tax Abatement Agreement. This wage is based on the poverty level for a family of four, as determined annually (January) by the U.S. Department of Health and Human Services (HHS). As of January 2009, this wage is \$10.60 per hour.

**Seventy Percent Wage Requirement:** In addition to the "Living Wage" requirement, within one year of project location opening, seventy percent (70%) of all new and existing employees must earn a cash wage at or exceeding one of the two following hourly wage requirements, depending on the majority of the company's activities at the project location.

- **Median Hourly Wage for Manufacturing:** This is the median wage requirement for all companies primarily engaged in manufacturing activities at the project location at the time the tax abatement agreement is executed. This median wage is compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). This wage reflects the annual median hourly wage for all manufacturers in the San Antonio Metropolitan Statistical Area and is updated in May of each year. As of December 2008, this wage is \$13.46 per hour.
- **Median Hourly Wage for All Industries (Companies):** This is the wage requirement for those companies whose primary activities at the project location are non-manufacturing (e.g., financial services) at the time the tax abatement agreement is executed. This median wage is also compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). This wage reflects the annual median hourly wage for all industries in the San Antonio Metropolitan Statistical Area and is updated in May of each year. As of December 2008, this wage is \$12.76 per hour.

If the company does not meet and maintain these wage requirements for all new and existing employees at the project location going forward, the company will be in default of their Tax Abatement Agreement, which likely will result in termination of the Agreement and the recapture of all or a portion of the previously abated property taxes.

### ***Qualifying Industries/Business Activities or Projects***

The majority of the company's business at the project location must be engaged in one of the following qualifying industries, business activities or projects, as defined in Appendix A:

- Agribusiness
- Aviation/Aerospace
- Biotechnology
- Creative Services
- Environmental Technology (also known as Clean Technology or Green Technology)
- Finance
- Information Technology and Security
- Logistics and Distribution
- Manufacturing (any industry)
- Telecommunications
- Corporate and Regional Headquarters activities
- Downtown Urban Significant Projects, including but not limited to mixed-use, and multi-family rental only housing projects (the terms of these Downtown Urban Significant Projects will be negotiated separately)

### ***Companies and Projects Not Eligible for a Tax Abatement***

Regardless of the investment or jobs created, the following types of businesses and projects are not eligible for a tax abatement:

- Retail stores, retail centers, or businesses that competitively provide goods or services to consumers
- Multi-family "for sale" housing/mixed use projects
- Hotel or motel facilities
- Projects over the Edwards Aquifer Recharge Zone
- New or existing projects that may have a potentially negative impact on military missions

### ***Timing***

In order to be eligible for consideration, the company must submit an application prior to commencement of the project. No tax abatement for a proposed project will take effect until a final negotiated agreement has been approved and fully executed. The timing and

acquisition of personal property related to this project will impact its eligibility for abatement.

### ***Additional Terms and Conditions***

The applicant will enter into separate Tax Abatement Agreements with the County of Bexar and the City of San Antonio. These agreements will require separate approval by each governing authority. Consequently, each jurisdiction reserves the right to negotiate additional terms and conditions on a case-by-case basis.

Recipients of tax abatements will also agree to work with Workforce Solutions-Alamo to facilitate the posting and advertisement of new jobs at the property of interest, as well as for the recruitment of potential qualified applicants for these positions. Workforce Solutions-Alamo offers other employer services, such as assessment of basic skills and work aptitudes of potential employees, job matching services, labor market information, assistance in arranging workforce training, and outplacement services which the recipient may access.

### ***Recapture of Abated Taxes***

Tax abatement agreements will provide for recapture of abated property taxes in the event contract terms and requirements are not met. These recapture provisions will survive any subsequent assignment of the Agreement. The following are the standard schedules that show what percentage of taxes abated will be recaptured (multiply the amount of taxes abated by the percentage in the recapture period):

6-Year Abatement Period		10-Year Abatement Period	
Termination of Abatement	Recaptured Taxes	Termination of Abatement	Recaptured Taxes
During Abatement Period	100%	During Abatement Period	100%
Year 1 of Recapture Period	100%	Year 1 of Recapture Period	100%
Year 2 of Recapture Period	75%	Year 2 of Recapture Period	80%
Year 3 of Recapture Period	50%	Year 3 of Recapture Period	60%
Year 4 of Recapture Period	25%	Year 4 of Recapture Period	40%
		Year 5 of Recapture Period	20%
		Year 6 of Recapture Period	10%



***Non-Refundable Application Fee***

Companies must submit separate non-refundable application fees with their respective applications based upon the following schedule:

<b>Jurisdiction</b>	<b># of Employees in Applicant Firm</b>	<b>Fee (\$)</b>
County of Bexar	One fee for all companies	\$1,000
City of San Antonio	Minimum Fee	\$500
	100-499	\$1,000
	500+	\$1,500

Any project that requires an assignment or amendment will pay a fee of \$1,000 to the City of San Antonio.

If a proposed project's investment, job creation, wages or construction schedule change significantly following the submittal of a completed application and payment of the fee to the County of Bexar and/or the City of San Antonio, or if an Agreement has not been finalized within one calendar year following application, the County of Bexar and the City of San Antonio may close out a pending application. Any submission of a new and subsequent application following such a close out will require another application fee for reconsideration of the tax abatement request.

## **SECTION II: Amount of County Abatement**

In addition to the eligibility criteria established through joint Tax Abatement Guidelines for the County of Bexar and the City of San Antonio, the abatement of County ad valorem taxes takes into consideration other project criteria when determining the amount of abatement.

Property taxes are the single largest source of operating funds for the County of Bexar [seventy percent (70%) of its General Fund revenue], while they are the third largest source of operating revenue for the City of San Antonio. So, dollar for dollar, a tax abatement has a greater fiscal impact on the County government than on the City government.

The County may grant an abatement of taxes up to forty percent (40%) on the qualified real property improvements and new personal property investment. Applicants may, however, negotiate for additional County abatement participation if the project meets certain other criteria, as defined below. Projects might also be eligible for other incentives available within communities outside the City of San Antonio. Bexar County Commissioners Court shall not grant a tax abatement of the Flood Control tax levied by the County or of taxes levied on behalf of the University Health System.

The County of Bexar may increase the amount of the abatement on qualified real property improvements and new personal property investment after considering the incentive below and other project criteria:

- **Small, Minority, Women-owned Business Enterprise (SMWBE) Incentive:** Applicant agrees, to the extent practical and consistent with standard and prudent industry practices, to divide contracted work and procurement opportunities into the smallest feasible portions to allow for maximum Small, Minority and Women-owned Business Enterprise (SMWBE) participation and make a good faith effort to award at least twenty percent (20%) of its contracted work to certified minority and women-owned businesses and a good faith effort to award at least thirty percent (30%) of its contracted work to certified small businesses. A good faith effort is defined as the applicant increasing involvement of SMWBEs in the project's procurement process within the areas of commodities, equipment, professional and personal services, maintenance and construction.

The above guidelines notwithstanding, the Bexar County Commissioners Court retains complete discretion to waive particular requirements under these guidelines on a case by case basis, or to increase the level of abatement offered to a given project. The Court may also opt to offer no abatement incentive whatsoever to projects which nonetheless meet one or more eligibility requirements under these guidelines.

## APPENDIX A

### Definitions

**Agribusiness:** Businesses engaged in the research, development, manufacturing, or refining of agricultural products into foodstuffs or for use as intermediate products in the processing of other agricultural finished goods or products.

**Aviation/Aerospace:** Companies primarily engaged in one or more of the following activities:

- (1) Manufacturing complete aircraft, missiles, or space vehicles
- (2) Manufacturing aerospace engines, propulsion units, auxiliary equipment or parts
- (3) Developing and making prototypes of aerospace products
- (4) Aircraft conversion (i.e., major modifications to systems)
- (5) Complete aircraft, missile, space vehicle or propulsion systems maintenance, repair, overhaul and rebuilding (i.e., periodic restoration of aircraft to original design specifications)
- (6) Research and development
- (7) Regional air passenger operations

**Biotechnology:** This industry comprises establishments primarily engaged in conducting research, development, and manufacturing in the physical, bio-engineering, and life sciences, such as agriculture, biology, botany, chemistry, environmental, fisheries, food, forests, health and pharmaceutical.

**Corporate and Regional Headquarters:** The firm's corporate or regional legal principal place of business is located in the County of Bexar, and its total assets will be at least \$500,000,000 and/or its total revenues will be at least \$500,000,000 for the corporate fiscal year preceding the date of the filing of its application for Tax Abatement with the County of Bexar or the City of San Antonio. This excludes the corporation's retail outlets.

**Creative Services:** Includes businesses or divisions of corporations that are primarily engaged in the following sectors having general or specific activities and business efforts – advertising, architecture, broadcasting, businesses involved in film and video production, design services, digital media, printing, public relations and publishing.

**Downtown:** The area managed by the Center City Development Office which encompasses the CRAG which is the inner-city area defined by the Community Revitalization Action Group as the San Antonio city limits prior to 1940. This area includes a 36 square mile area, with the center being the dome of the San Fernando Cathedral. The area is defined by Hildebrand Avenue to the North, Division Street to the South, Rio Grande Street to the East, and 24th Street to the West.

**Environmental Technology:** (also known as **Green Technology** and **Clean Technology**): Includes companies that create “Green Jobs” which are work force opportunities that improve environmental quality. This can involve conservation and remediation improvements to the natural environment and efficient conservation of resources. Includes, but not limited to, business activities in the research, development, services or manufacturing of products such as pollution control devices and systems, waste treatment processes and storage facilities, clean energy products and services, green building products and services, alternative transportation products and services, recycling, and site remediation technologies.

**Finance:** Includes companies whose main business is engaged in finance, accounting, insurance, and risk management. It does *not* include any retail component of these businesses.

**Information Technology and Security:** This industry comprises establishments primarily engaged in planning and designing computer systems that integrate computer hardware, software, and communication technologies. The hardware and software components of the system may be provided by this establishment or company as part of integrated services or may be provided by third parties or vendors. These establishments often design and develop software, install the system and train and support users of the system.

Companies in this industry are engaged in the following activities:

- (1) Producing and distributing information and cultural products
- (2) Providing the means to transmit or distribute these products as well as data or communications
- (3) Research and development
- (4) Processing data

**Leadership in Energy and Environmental Design (LEED):** **Green Building Rating System™** developed by the U.S. Green Building Council (USGBC), provides a suite of standards for environmentally sustainable construction. In LEED v2.2 for new construction and major renovations for commercial buildings there are 69 possible points and buildings can qualify for four levels of certification:

- **Certified** - 26-32 points
- **Silver** - 33-38 points
- **Gold** - 39-51 points
- **Platinum** - 52-69 points

**Logistics/Distribution:** Businesses involved in the receiving, storage, service, or distribution of goods or materials, where a majority of the goods or services are distributed to points outside the San Antonio metropolitan statistical area.

**Manufacturing:** Businesses engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. This includes related research and development.

**Medical Center Area:** The area bound by Louis Pasteur to the South, Babcock Road to the West, Fredericksburg Road to the East, and Huebner Road to the North.

**Mixed-Use Project:** A residential project with units for sale and/or rent within the Downtown area that has a retail and/or commercial component of no more than twenty-five percent (25%) and a residential component of at least seventy-five percent (75%).

**Recharge Zone:** That area where the stratigraphic units constituting the Aquifer crop out, including the outcrops of other geologic formations in proximity to the Aquifer, where caves, sinkholes, faults, fractures, or other permeable features would create a potential for recharge of surface waters into the Aquifer. The Recharge Zone is identified as that area designated as such on official maps located at the Authority and in 30 TEX. ADMIN. CODE § 213.22. See map in Appendix B. (From Edwards Aquifer Authority rules, Chapter 713.1(45).)

**San Antonio International Airport Area:** San Antonio International Airport is located in the North Central portion of the City, and is generally bounded by Wurzbach Parkway to the North, U.S. 281 to the West, Loop 410 to the South and Wetmore Road to the East.

**Telecommunications:** Businesses primarily engaged in research and development, regional distribution, and the manufacturing of telecommunication-related products and services. It does not include operations involved in the retail sale of telecommunications products and services.

**Texas Research Park:** The Texas Research Park is a 1,236-acre site, located in West Bexar County and connected to U.S. Highway 90 and Potranco Road (State Highway 1957). The Texas Research Park supports the development of a world-class center for bioscience research and medical education.

## APPENDIX B

### Map of 6- and 10-Year Tax Abatement Term Areas and Edwards Aquifer Recharge Zone

